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# Thrift in the United States

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## THRIFT AMONG AMERICAN COLONISTS

THE thrift of a large portion of the American colonists is proverbial. Compelled as they were to earn their livelihood under extremely adverse conditions they showed how they appreciated the value of the products of their labor by saving them for future emergencies. They also improved their spare time in the making of tools, clothing and shoes. As opportunity offered they built better homes, barns and warehouses. Thus they assured themselves that their necessary wants in the future could be supplied with increasing ease. They earned well and they saved well. Much of what they produced and saved was permanent in character and has been passed on to future generations to use and enjoy.

In later colonial times thrift remained deeply ingrained in the character of the American people, especially those who lived in the northern and central colonies. From 1732 to 1737 Benjamin Franklin, writing under the pseudonym of "Poor Richard," found a very sympathetic audience for his *Almanac* in which, through verse and precept, he so succinctly described the virtue of thrift and the vice of waste and extravagance.

## BEGINNING OF SAVINGS INSTITUTIONS

The thrift of time and materials which was emphasized by the American colonists naturally included money thrift, but there was no established institution in America where people could place their small savings to ad-

vantage until 1816. On November 29 of that year Thomas Eddy organized "The Bank for Savings in the City of New York." This bank opened its doors for business March 26, 1819, with 80 depositors and \$2,807 in deposits. Within eight months these numbers increased to 1,481 depositors with \$148,372.27 in deposits.

Three days after the organization of the New York Savings Bank, that is on December 2, 1816, the "Philadelphia Saving Fund Society" was formed and immediately began to receive deposits. The Philadelphia institution was thus the first savings bank in the United States to begin operation. Shortly thereafter similar institutions were founded in Boston and Baltimore. In 1820 there were 10 savings banks in the United States with 8,635 depositors. These numbers grew to 61 savings banks and 78,781 depositors in 1840; to 278 savings banks and 693,970 depositors in 1860; and to more than 2,000 savings banks and about 11,000,000 depositors in 1914.

At the same time building and loan associations, first organized in 1831, also developed in a remarkable way. The number had so increased by 1886 that a national organization of building and loan associations was formed at Minneapolis. On December 31, 1918, reports showed 7,269 such associations to be in existence with 3,838,612 members and assets of about \$1,750,000,000.

## FACTORS AGAINST THRIFT IN AMERICA

Notwithstanding the opportunities for saving money offered by these or-

ganizations and the remarkable growth which they have had, the American people developed throughout the nineteenth century the unthrifty habits for which they have been known the world over. The reasons for this condition are numerous. America has been blessed with abundant and bountiful natural resources which have been easily obtained and sufficiently well distributed to allow the great majority of American people to live comfortably without undergoing the hardships suffered by those who live in old and impoverished countries.

Moreover, the ease with which certain fortunate individuals have sometimes secured sudden wealth from our natural resources has caused a widespread spirit of speculation. Far too many people, unwilling to accept the usual interest rates paid by recognized and legitimate investments, have preferred to risk the entire principal in speculation with the hope of "striking it rich." This unfortunate tendency toward speculation has continued throughout all of our later history, although dealers in fake stocks and bonds have annually taken advantage of the situation to fleece such people out of millions of hard-earned dollars.

People who have had this unfortunate experience naturally do not forget it easily. In numerous instances they go to the other extreme and become wary of all investments except perhaps those in real estate in their immediate vicinity. This has naturally had a tendency to keep considerable sums of money out of legitimate investments and even out of the banks about which many people have had an ignorant awe or distrust which in our earlier history was often justified. This distrust explains why in the year ending March 1, 1908, 127,623 money orders represent-

ing a total of \$8,054,894 were issued to "self" by the United States Post Office Department.

#### TENDENCIES TOWARD THRIFT

*Thrift in Production.* There are several exceptions to the general statement that Americans have been unthrifty. In the first place they have always demonstrated their great genius for thrift in production. This means that as a nation we have developed quantity production at the lowest possible cost more than any nation in the world. In spite, therefore, of the widespread tendency to waste goods after they are produced in this manner, the United States has steadily grown in per capita wealth from \$307.69 in 1850; to \$779.83 in 1870; to \$1,035.57 in 1890; to \$1,318.11 in 1904; and to \$1,965.00 in 1912.

*Saving Through Life Insurance.* At the same time an increasing proportion of Americans through the active propaganda of the life insurance companies have formed the habit of investing money regularly in insurance policies, a large proportion of which, especially of a decade ago, were a combination of insurance and investment. Even at the present time many people still regard life insurance as a desirable way of saving money notwithstanding the comparatively low rate of interest which is paid. So successful, indeed, have the life insurance companies been that it has been said that while England is a nation of stock buyers, France a nation of bond buyers, the United States is a nation of insurance policy holders.

The success of the insurance companies demonstrates in no uncertain way the need for safe, convenient and well known small investments. In this respect the United States has

lagged far behind the European countries. Some relief for this situation was offered by the establishment of the postal savings banks in 1910. Their deposits have steadily increased although during the fiscal year 1917-18 the number of depositors decreased from 647,728 to 612,188. Three-fourths of these depositors are said to be recent immigrants from foreign countries. As an institution for absorbing the small savings of the American people, however, the postal savings banks have been a failure.

#### EDUCATION FOR THRIFT IN AMERICA

Notwithstanding the use made of savings institutions in this country before the Great War, the American people were extravagant and wasteful. The habit of saving for the future was possessed by but a small element of the population. The institutions for saving money were not so numerous and well known as they should have been and those that did exist were not commonly patronized. A general campaign which should have for its object the widespread teaching and practise of individual thrift was an urgent necessity.

*Thrift and Efficiency Commission of the Young Women's Christian Association.* Campaigns for this purpose had been carried on by various agencies previous to America's entrance into the European war. The life insurance companies, realizing the beneficial effect of thrift on their business, have been consistent promoters of it. The Young Women's Christian Association appointed a commission on thrift and efficiency which, in its report of 1913, emphasized the importance for women of a training for remunerative employment and especially the wise spending of money and the accumulation of savings. The same ideas have been

emphasized in recent years in colleges and universities for young women where the study of household budgets has become a prominent feature of the home economics curriculum.

*The American Society for Thrift.* In January, 1914, the American Society for Thrift under the leadership of S. W. Straus was organized in Chicago. Through the efforts of this society the National Education Association was induced to appoint a committee on thrift, which conducted several essay contests among teachers and pupils of the schools of the country on the general subject of thrift. More than 100,000 children entered the competition for the prizes offered during the school year of 1916-17. A number of the essays and suggestions submitted by the teachers were printed as a monograph by the National Education Association and have become the basis of much of the present thrift teaching in the schools.

*School Savings Banks.* In 1916 the American Bankers' Association commemorated the centennial of the founding of savings banks in the United States. This commemoration afforded a convenient opportunity to call the attention of the public to the importance of the school savings bank movement in the United States. This was a movement first begun in this country in 1876 by Sereno F. Merrill, superintendent of schools at Beloit, Wisconsin. Mr. Merrill had become imbued with the idea of school savings at the Vienna exposition of 1873 where he learned of the school savings plan then in operation at Ghent and which afterwards has been operated with such great success in France. After being in operation in Beloit for five years, however, the school savings plan was dropped.

To John H. Thiry, therefore, must be

accorded the honor of instituting school savings on a permanent footing in the United States. Thiry was a native of Belgium and was therefore familiar with the school savings system of Belgium and France. On March 16, 1885, he instituted a savings bank in one of the ward schools of Long Island City, New York. At first the idea went slowly notwithstanding the fact that Mr. Thiry devoted much time and effort to the movement. In 1892, however, he was able to report that school savings banks had been formed in twelve different states with a total of 27,430 depositors holdings deposits of \$207,428.76. Thereafter the movement gained momentum, and in 1915 through arrangement with the U. S. Comptroller of the Currency, the following statistics concerning the school savings banks were obtained:

which emphasized the virtue and necessity of saving, the people of the United States were brought suddenly to the realization shortly after entering the World War that we must conserve labor and materials as we had never done before. The money which had hitherto been spent for luxuries must be saved and loaned to the government for the purchase of vital war supplies. To these ends the people were urged to produce the greatest possible amount of food and war materials; to conserve food and fuel; and out of current savings to purchase Liberty Bonds and War Savings Stamps.

*War Savings Stamps.* Furthermore, realizing that the war could not be financed by the men of wealth unless assisted by the small savings of the millions of wage earners, the government provided convenient opportuni-

	Number of Cities	Number of Schools	Number of Pupils	Number of Depositors	Amount of Deposits
New England States . . . . .	75	667	172,250	89,379	\$202,962. 20
Eastern Central States . . . . .	74	401	265,209	151,264	485,426. 65
Southern States . . . . .	15	32	12,427	5,122	33,328. 59
Middle Western States . . . . .	80	560	333,529	118,323	647,698. 49
Western States . . . . .	16	76	27,918	5,082	29,847. 47
Pacific States . . . . .	20	189	117,451	29,370	393,376. 70
Total . . . . .	280	1,925	928,784	398,540	\$1,792,640. 10

The school savings bank movement has been materially assisted by the passing of a law in Massachusetts in 1910 providing for compulsory instruction in thrift in the public schools. Acts of the legislature in New York, New Jersey, California and Minnesota also make provision for the correlation of the school savings banks with the local savings banks.

#### WAR EMPHASIS ON THRIFT

Notwithstanding all the agencies for thrift and the various movements

ties for the purchase of Liberty bonds in small denominations. Also, following the example of Great Britain an organization was authorized by act of Congress, September 24, 1917, for the sale of war savings stamps and for spreading the gospel of thrift throughout the length and breadth of the land. This organization known as the National War Savings Committee developed national plans for widespread popular education in thrift and the sale of stamps. The actual sale of the

stamps was left to each of the twelve federal bank districts. In each one of these districts a war savings director was appointed with a corps of assistants who was to establish county and city or other local volunteer organizations in each state.

The war savings stamps were sold for \$4.12 in January, 1918, advancing in price one cent each month throughout the year. At maturity, January 1, 1923, the government promises to pay \$5.00 for each stamp. The difference between the purchase price and the maturity value of the stamps makes an interest return of about 4 per cent interest compounded quarterly. Other features of the stamps made them particularly attractive small investments. They could be registered at any first, second or third class post office as a precaution against loss; and they could be redeemed at any time before maturity by giving ten days' notice to a post office. In such cases the rate of interest paid amounts to about 3 per cent. In order to preserve these attractive investment features to persons of small means it was provided that no one was to be permitted to hold more than \$1,000 (maturity value) of the stamps.

*Thrift Stamps.* As a means of assisting people to accumulate small sums of money for the purchase of savings stamps, thrift stamps were sold at twenty-five cents each. The thrift stamps bore no interest, but whenever sixteen of them were accumulated they were exchangeable with the addition of a few cents, varying with the month of the year, for a savings stamp. By means, therefore, of the savings stamps the government brought an attractive investment within the reach of practically every man, woman and child of the country.

The plan of the savings campaign included considerable education in the principles of thrift. For this purpose a number of pamphlets emphasizing the necessity for thrift, advising the methods of organizing savings societies, and showing methods of regular and systematic saving through individual and family budgets were distributed to the public. As the campaign proceeded, however, the financial necessities of the government became more and more pressing and there was a gradual tendency to make the thrift campaign purely a selling campaign of war savings stamps. Every organization which could possibly be induced to do so was enlisted in the sale of the stamps. The Boy Scouts and the schools undertook the work with especial enthusiasm and the result was distinctly gratifying from a financial point of view.

The sale of the 1918 series of war savings stamps began on December 3, 1917, and continued throughout the year 1918. The original quota set for the country was not to exceed two billion dollars. This was an average of about \$16.50 for each man, woman and child in the United States. One state only, Nebraska, exceeded this per capita quota with \$21.18. Ohio was second with \$16.39; South Dakota third with \$16.38. The lowest were Georgia, South Carolina and Alabama, with per capita sales respectively of \$4.78, \$4.69 and \$4.48. The grand total of sales for the entire country was \$1,015,067,471.80 which was an average per capita of \$9.64.

#### THRIFT CAMPAIGN AFTER THE WAR

The sale of savings stamps during the year 1918 was so gratifying to the Treasury Department that it was immediately decided to continue their

sale after hostilities ceased with the hope of making them a permanent feature of the government. The purpose was partly to raise money but especially to carry home the lesson to every American that individual thrift was as necessary after the war as it was during the war. This was an exceedingly difficult task because the natural tendency of the American people was to throw off all the war restraints and to resume the usual extravagant practises of the pre-war period. Furthermore the organization which had been carefully developed during the war fell apart with the close of hostilities. Nearly the entire corps of workers in the Savings Division at Washington and in the various federal reserve districts had to be replaced with new men and women who brought to the enormous task great enthusiasm but little experience in this field of work.

The new campaign was to be less a campaign for the sale of savings stamps and more of an educational movement in thrift. In carrying out this idea there was to be less of the popular emotional appeal and greater emphasis on the individual's self interest. It was believed that as soon as the people of the country realized the value of practising thrift and the exceptional manner in which savings stamps fulfilled the requirements of small, safe and convenient investments a steady growth in the number of investors would ensue. Thus the sale of the stamps would follow as a natural corollary of the educational movement. The objects of the entire movement as set forth by the Savings Division were to encourage people to—

2. Invest these savings in a security which pays a reasonable and profitable rate of interest and which is absolutely safe—savings stamps and other government securities.
3. Use the remainder of the income so as to get full value for the money expended.
4. Use what is bought with as much care as if it were money itself.

In conducting the thrift campaign of 1919 the Savings Division immediately decided to work through established organizations. In order to deal with these organizations several sections of the Savings Division were created at Washington with corresponding units in the federal reserve districts. The most important of these sections were schools, churches, women's organizations, publications, industrial, fraternal and agricultural organizations. Each of these sections was to develop plans for continuing the savings societies formed during the war and to stimulate the formation of new ones.

In the field of the schools the thrift propaganda found a very cordial reception. Upon several occasions the National Education Association endorsed the movement in the highest terms. At its last meeting in Milwaukee, July 5, 1919, the elementary and secondary schools were urged to make the teaching of thrift compulsory. For the purpose of this instruction the Savings Division issued several pamphlets for use in the various types of schools. Further publicity was given to the school program through the two magazines, *The National School Service* and *The School Bulletin*. Arrangements have also been made in a large proportion of the schools for the sale of thrift and war savings stamps. The pupils have responded enthusiastically to the opportunity to give a practical demonstration of their instruction in thrift,

1. Put aside as a first obligation, before spending anything, a definite portion of the income in savings for future use.

and have become regular purchasers of thrift and savings stamps.

Among the women's organizations the General Federation of Women's Clubs through its department of social and industrial conditions has worked out extensive plans for promoting the study and practise of thrift among the members of the local branches. In the industrial organizations savings societies have been promoted among the employes with the purpose of inducing them to make pledges for definite weekly or monthly savings toward the purchase of savings stamps. A large number of envelope inserts advertising the investment features of savings stamps have also been distributed by corporations when mailing dividends to their stockholders.

Through coöperation with the field workers of the Department of Agriculture the Savings Division has also been able to reach the farmers of the country. A series of twenty leaflets presenting practical thrift problems in the home were issued in coöperation with the home economics division. Widespread publicity for the thrift movement has also been gained by the work done with the labor organizations, churches and fraternal organizations.

At this time it is difficult to estimate the success of the thrift movement since the close of hostilities. The number of stamps sold during the year 1919 has fallen far below the mark set in 1918. This was anticipated from the beginning but the extent of the falling off has been an unpleasant surprise, and the figures are therefore quite disappointing. During the first six months the sales reached only \$89,856,043.77 more than one-half of which were sold during the month of

January while the momentum of the campaign of the previous year was behind the movement. During the month of June the sales declined to a little less than five million dollars. Since that time they have begun to increase again.

The causes for this great decrease in the amount of stamp sales are numerous. In the first place, with one exception, all the districts have made the movement primarily educational expecting that the sale of stamps would naturally follow. In the second place, the cost of living has been high and industrial conditions have been unsettled. The savings movement during 1919 has undoubtedly been advertised widely but it has not been convincing with a large element of the population. In other words it has been exceedingly difficult to make headway against the natural tendency to fall back into the pre-war habits of extravagance deeply ingrained in American character through years of practise.

One must realize, furthermore, that the practise of thrift is largely a moral question for each individual and that as such it is a process of years rather than months to secure a satisfactory universal response to such an appeal. It is for this reason that the success of the thrift movement now being prosecuted with such vigor can never be properly measured by the number of savings stamps sold. The good effects will be felt all through our economic life and many of them will not be fully realized for years to come. Moreover, the task of making out of the American people a nation of thrifty men and women is a work of years, but the enormous national and individual benefits accruing therefrom will justify whatever time and effort is expended on it.